

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
SEPTEMBER 9, 2015**

DIRECTORS PRESENT

Committee Chair James Haselton
Committee Member Michael Safranski

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Accounting Supervisor
Lisa Carmouche, Administrative Assistant

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Haselton called the September 9, 2015, Finance/Audit Committee Meeting to order at 7:00 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Director Safranski commented on the District exceeding the State Water Board mandated Conservation Standard, and commended the District's customers for meeting the challenge during the statewide drought.

Mr. Haselton commented on his attendance at the Community Associations of Rancho (CAR) Meeting and the challenge of landscape maintenance with a focus on water conservation and preserving home values and aesthetics.

Director Safranski highlighted the impact of the Animas River spill in Colorado. Discussion occurred concerning environmental preservation and water quality impacts.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz commented on the following matters:

- Mr. Ruiz mentioned that the County of Orange Auditor formally requested the Trabuco Public Financing Authority's Fiscal Year 2013/2014 Audited Financial Statements. Mr. Ruiz added that the County of Orange is collecting audited financial statements from all Joint Powers Authorities within its jurisdiction for posting on the their website.

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ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The August 12, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the August 12, 2015, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ ATTENDANCE ITEMS

The Committee reviewed the information presented. Discussion occurred concerning the adjustment of the November 11, 2015 Finance/Audit Committee due to the meeting falling on a District-observed holiday.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for August, 2015, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

The Committee, through Chair Haselton, recommended that the November Finance/Audit Committee Meeting be held on Thursday, November 12, 2015, at 7:00 AM.

ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING THE DEVELOPMENT OF TCWD'S TEN YEAR CAPITAL IMPROVEMENT PROGRAM

Mr. Ruiz provided a status update on this matter, and mentioned that District staff has submitted the DRAFT Ten Year Capital Improvement Program (CIP) to Raftelis Financial Consultants (RFC) for the purpose of developing the District's Water, Sewer and Recycled Rate Analysis. Mr. Ruiz reviewed certain projects of the Draft CIP that require further evaluation to determine its need and cost to implement and at this time including only those projects deemed essential, which included:

Administration

- AMR Meters – Mr. Ruiz mentioned that the water meters currently in the District's service area work effectively, and the meters are currently replaced as needed per the District's Meter Replacement Program. Mr. Ruiz added that replacement of the meters with new advanced meter reading technology requires a significant investment. Mr. Ruiz mentioned that District staff has tested Automatic Meter Reading (AMR) technology, however, due to the high capital cost and payback greater than fifteen years that District staff proposes maintaining the District's current Meter Replacement Program and removing the AMR line item from the CIP.

Water

- District-wide Pipeline Replacement – Mr. Ruiz mentioned that District staff has determined that a repair and replace as needed strategy would be a more cost efficient and effective solution as a cost control strategy, until further field and site investigations are performed.

Discussion occurred concerning CIP budgetary strategies and project hierarchy methodology and criteria.

RECOMMENDED ACTION:

There was no recommended action.

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ITEM 4: OTHER MATTERS

Mr. Ruiz had no comments on other matters.

RECOMMENDED ACTION:

There was no recommended action.

ITEM 5A: FINANCIAL REPORT

Mr. Ruiz presented the unaudited financials for July, 2015, for Committee review, and mentioned that there were fewer documents for review due to the close out of Fiscal Year 2014/2015. Mr. Ruiz highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue – Residential Water:

Mr. Ruiz mentioned that the District's Residential Water revenue for the first month of the fiscal year was lower than the same month of the prior year, but was slightly higher than budgeted. Mr. Ruiz added that District staff budgeted for a 32% reduction in annual water revenue due to the impact of the statewide drought and the State Water Board's mandated emergency regulations. Discussion occurred concerning the impacts of a possible El Nino this winter season.

- Operating Expenses – Total Operating Expenses:

Mr. Ruiz mentioned that this line item was on budget for the first month of the fiscal year.

- Non-Operating Expenses – Principal & Interest Expense:

Mr. Ruiz mentioned that this line item was higher for the month due to the Series C annual payment.

Discussion occurred concerning the impacts of the ongoing statewide drought on the District's service area.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the July, 2015, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 5B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for September 9, 2015.

RECOMMENDED ACTION:

The Committee signed the bills for consideration and the warrant register, and recommended that the Board ratify payment of the bills for consideration for September 9, 2015, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the September 9, 2015, Finance/Audit Committee Meeting at 7:32 A.M.